



Project GATE Report

Summary and Implications*

Background

Project GATE, an experimental research demonstration, was initiated by U.S. Secretary of Labor Elaine L. Chao in 2002 to help emerging entrepreneurs create, sustain, and/or expand their existing small business. Project GATE operated in seven urban/ rural sites in three states (Minnesota, Maine, and Pennsylvania). To help emerging entrepreneurs, Project GATE: (1) teamed U.S. Department of Labor training and assistance programs with economic development entities such as local small business development centers, women's business development centers, local chambers of commerce, entrepreneurial service providers, and small business loan providers; (2) partnered with faith-based and community-based organizations, ethnic organizations, and local community businesses in extensive community outreach efforts; and (3) provided entrepreneurial training and technical assistance to over 2,000 project participants.

Final Report

The final report examined whether Project GATE affected the following four main categories of outcomes:

- (1) the receipt of self-employment services,
- (2) business ownership,
- (3) employment and earnings, and
- (4) self-sufficiency.

Overall impacts of Project GATE were estimated by comparing the mean value of each outcome for those in the program group with the mean value of the outcome for those in the control group. The results of the impact evaluation revealed the following:

- Project GATE increased the proportion of business ownership by 6 percentage points during the 18-month follow-up period. Among recent Unemployment Insurance (UI) recipients in Minnesota the impact was 14 percentage points.
- Earnings were not significantly higher among Project GATE participants compared to their control group counterparts.
- Project GATE participants were less likely to be employed in wage and salary jobs during the first six months of the follow-up period, compared to their control group counterparts.
- Project GATE increased the duration of UI spells by about one week and increased the amount of UI benefits received by about \$300 per participant.
- Taken together, Project GATE did not have a significant impact on total household earnings (from self-employment, wage and salary employment, UI benefits, and all other sources) during the 18-month follow-up period.





Policy Implications

Some of the important lessons and best practices learned from the final report of the Project GATE include:

- Self-employment service programs can be offered at One-Stop Career Centers. During the demonstration, Project GATE was implemented successfully across a wide variety of sites. While One-Stop Career Centers are not traditionally known as places to go for self-employment services, Project GATE was able, with some marketing, to draw entrepreneurs and prospective entrepreneurs into the centers. As long as local training and business counseling providers with a reputation for providing good quality services are willing to participate in the program, Project GATE, or a similar program, could be offered as an additional service at One-Stop Career Centers.
- The Project GATE service model appears to have several advantages over the existing self-employment services available within participating communities. In addition to receiving more hours of self-employment services, Project GATE participants reported higher levels of satisfaction with the services received than did control group members. Offering a one-on-one assessment with a trained business counselor and a choice of quality local service providers appears to have added value to the existing service network within the local communities.
- GATE participants started businesses at a higher rate than control group members. Over the 18-month follow up period, participation in Project GATE led to an increase in business ownership. While the increase in business ownership was statistically significant, the magnitude of the impact was relatively modest—six percentage points. It is important to note, however, that an analysis of the impact of Project GATE on the unemployed found more substantial program impacts for this subgroup.
- Project GATE had larger impacts on business ownership among UI recipients. Over the entire follow-up period, the impact of Project GATE on business ownership among UI recipients was nine percentage points (statistically significant), compared with no impact on those who did not receive UI. Project GATE may have had a larger impact on those who were receiving UI benefits when they applied because they had fewer alternative opportunities in the regular labor market. Moreover, not having a wage and salary job provided them with more time to work on their businesses, while the UI benefits provided a regular income.
- Project GATE had much larger impacts on business ownership among recent UI when job search requirements were waived. For the recent UI recipients in Minnesota, the impact of Project GATE on business ownership started at +12 percentage points in the first quarter of the follow-up period and increased to +15 percentage points in the last quarter, all statistically significant. One reason for larger impacts among recent UI

recipients in Minnesota may be attributable to the fact that the job search requirements that accompany the receipt of UI were waived for GATE participants which allowed them to continue receiving benefits while concentrating on their businesses, rather than looking for a wage and salary job.

- Project GATE was a successful entrepreneurial training model in rural areas. Rural areas in the demonstration were especially innovative in providing access to training and business counseling to entrepreneurs.

Next Steps

The impact results indicate that Project GATE did not result in increased earnings for participants during the 18-month observation period. It is, however, premature to expect an increase in earnings during such a short observation. Indeed, many of the businesses started during the observation period had only recently begun to operate and, therefore, were not likely to generate significant earnings for the business owners. To investigate whether Project GATE has a long-run impact on earnings, the Employment and Training Administration is launching a long term follow-up (48-months) of the Project GATE sample. With a longer follow-up period, it will be possible to assess whether businesses started by Project GATE participants resulted in increased earnings. The additional follow-up of Project GATE sample members will identify the long-term impacts of Project GATE. Measuring program impacts over a longer time frame can help determine if Project GATE is cost effective, thus, providing policymakers and program administrators with evidence that Project GATE was successful and can be replicated on a wider scale.

* This Summary and Implications document was prepared by the Employment and Training Administration and does not necessarily reflect the opinions of the study author(s).